

**LEMON GROVE CITY COUNCIL
AGENDA ITEM SUMMARY**

Item No. 1.D
Mtg. Date October 7, 2014
Dept. City Manager's Office

Item Title: Loan Agreement between the Successor Agency to the Former Lemon Grove Community Development Agency and the City of Lemon Grove

Staff Contact: Graham Mitchell, City Manager

Recommendation:

Adopt a resolution (**Attachment A**) approving a Loan Agreement between the Successor Agency to the Former Lemon Grove Community Development Agency and the City of Lemon Grove.

Item Summary:

At its September 16, 2014 meeting, the Successor Agency to the Lemon Grove Community Development Agency adopted a resolution approving a loan agreement between it and the City of Lemon Grove. The Oversight Board ratified the loan agreement at its September 22nd meeting. The purpose of this agenda item is to present the same loan agreement for City Council consideration. The loan agreement addresses several short-term cash-flow loans from the City to the Successor Agency. Since July 12, 2012, the City has issued \$1,266,703.23 in short-term payments to the Successor Agency.

Staff has prepared a resolution (**Attachment A**) for City Council consideration. The resolution approves the Loan Agreement between the Successor Agency to the Former Lemon Grove Community Development Agency and the City of Lemon Grove.

Fiscal Impact:

The loan agreement provides documentation for Successor Agency reimbursement requests for short-term cash-flow loans made from the City to the Successor Agency.

Environmental Review:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Not subject to review | <input type="checkbox"/> Negative Declaration |
| <input type="checkbox"/> Categorical Exemption, Section [] | <input type="checkbox"/> Mitigated Negative Declaration |

Public Information:

- | | | |
|--|---|---|
| <input checked="" type="checkbox"/> None | <input type="checkbox"/> Newsletter article | <input type="checkbox"/> Notice to property owners within 300 ft. |
| <input type="checkbox"/> Notice published in local newspaper | <input type="checkbox"/> Neighborhood meeting | |

Attachments:

A. Resolution

Attachment A

RESOLUTION NO. 2014-_____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LEMON GROVE, CALIFORNIA APPROVING A LOAN AGREEMENT BETWEEN THE SUCCESSOR AGENCY TO THE FORMER LEMON GROVE COMMUNITY DEVELOPMENT AGENCY AND THE CITY OF LEMON GROVE

WHEREAS, the Lemon Grove Community Development Agency ("Agency") was established as a redevelopment agency that was previously organized and existing under the California Community Redevelopment Law, Health & Safety Code Section 33000, *et seq.*, ("CRL"), and previously authorized to transact business and exercise powers of a redevelopment agency pursuant to actions of the City Council of the City of Lemon Grove; and

WHEREAS, Assembly Bill X1 26 added Parts 1.8 and 1.85 to Division 24 of the California Health & Safety Code, which laws caused the dissolution and wind down of all redevelopment agencies ("Dissolution Act"); and

WHEREAS, the Agency is now a dissolved redevelopment agency pursuant to the Dissolution Act; and

WHEREAS, by resolution, considered by the City Council at an open public meeting, the City chose to become and serve as the "Successor Agency" to the dissolved Agency under the Dissolution Act; and

WHEREAS, the Successor Agency made a mandatory payment to the County of San Diego in the amount of \$557,054.42 on July 12, 2012 and three bond payments totaling \$1,180,709.26 on August 1, 2012 that resulted in a negative cash balance in the Successor Agency; and

WHEREAS, the City's General Fund made a short-term cash-flow loan to the Successor Agency to cover the shortfall; and

WHEREAS, the current negative cash balance in the Successor Agency is \$1,266,703.23; and

WHEREAS, a formal loan agreement to reflect the short-term cash-flow loan will allow the Successor Agency to seek reimbursement for this obligation; and

WHEREAS, it is in the best interest of the City to enter into a loan agreement with the Successor Agency.]

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Lemon Grove, California hereby:

1. Approves the Loan Agreement between the Successor Agency to the Former Lemon Grove Community Development Agency and the City of Lemon Grove (Exhibit 1); and]
2. Authorizes the City Manager to execute said agreement on behalf of the City.

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Attachment A

APPROVED AND ADOPTED this 7th day of October 2014.

Chair

ATTEST:

Secretary

I, Susan Garcia, City Clerk of the City of Lemon Grove, DO HEREBY CERTIFY that Resolution No. 2014-__ was duly adopted by the City Council at a regular meeting thereof held on the 7th day of October 2014, and that it was adopted by the following vote, to-wit:

AYES:

NOES:

ABSTAIN:

ABSENT:

Attachment A

EXHIBIT 1

LOAN AGREEMENT BETWEEN THE SUCCESSOR AGENCY TO THE FORMER LEMON GROVE COMMUNITY DEVELOPMENT AGENCY AND THE CITY OF LEMON GROVE

1. Parties: The Successor Agency to the former Lemon Grove Community Development Agency (the "Borrower") and the City of Lemon Grove (the "Lender").
2. Beginning on July 12, 2012, the Borrower relied on the Lender's general reserves to fulfill financial obligations required of the Borrower due to Borrower's lack of available cash funds. The Borrower's negative cash funds have caused the Lender to issue short-term cash-flow loans to Borrower. Since July 12, 2012, the Borrower has incurred a total of \$1,266,703.23 in short-term cash-flow debt from Lender.
3. Promise to Pay: by or before January 22, 2015, the Borrower agrees to pay to the Lender \$350,000, which is a partial payment of the entire amount due.
4. Annual Percentage Rate: the Parties agree, to the extent allowed by law, to establish an interest rate for the outstanding short-term cash-flow loan at the amount equal to the Local Agency Investment Fund by the State of California during the term of the loan.
5. Loan Payments: the Parties agree that the Borrower will make loan payments as funds are available from Residual Property Tax Trust Fund distributions.
6. Prepayment: the Borrower has the right to pay the whole amount of the loan at any time.

SUCCESSOR AGENCY TO THE
FORMER LEMON GROVE COMMUNITY
DEVELOPMENT AGENCY

CITY OF LEMON GROVE

Mary Teresa Sessom, Chair

Graham Mitchell, City Manager

Date

Date